

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	71.50	0.00	2.00	73.50	0.00	2.00	73.50	73.50
Personal Services	3,096,095	242,016	95,850	3,433,961	240,982	95,578	3,432,655	6,866,616
Operating Expenses	733,518	334,376	4,216,470	5,284,364	371,591	11,500,476	12,605,585	17,889,949
Grants	573,215	0	0	573,215	0	0	573,215	1,146,430
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$4,402,828	\$576,392	\$4,312,320	\$9,291,540	\$612,573	\$11,596,054	\$16,611,455	\$25,902,995
General Fund	0	0	0	0	0	0	0	0
State/Other Special	4,402,828	576,392	4,312,320	9,291,540	612,573	11,596,054	16,611,455	25,902,995
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$4,402,828	\$576,392	\$4,312,320	\$9,291,540	\$612,573	\$11,596,054	\$16,611,455	\$25,902,995

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Legislative Budget Analysis, A-86

Executive Budget Comparison

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	71.50	73.50	73.50	0.00	73.50	73.50	0.00	
Personal Services	3,096,095	3,433,961	3,433,961	0	3,432,655	3,432,655	0	0
Operating Expenses	733,518	1,084,364	5,284,364	4,200,000	1,114,759	12,605,585	11,490,826	15,690,826
Grants	573,215	573,215	573,215	0	573,215	573,215	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$4,402,828	\$5,091,540	\$9,291,540	\$4,200,000	\$5,120,629	\$16,611,455	\$11,490,826	\$15,690,826
General Fund	0	0	0	0	0	0	0	0
State/Other Special	4,402,828	5,091,540	9,291,540	4,200,000	5,120,629	16,611,455	11,490,826	15,690,826
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$4,402,828	\$5,091,540	\$9,291,540	\$4,200,000	\$5,120,629	\$16,611,455	\$11,490,826	\$15,690,826

The legislature increased the Executive Budget by adding \$4.2 million in FY 2006 and \$11.5 million in FY 2007 for a total increase of \$15.69 million in state special revenue over the biennium. The increase is contingent upon passage and approval of HB 667, which transfers \$15.7 million of the I-149 tax increase from the Department of Health and Human Services to the Office of State Auditor for implementation and administration of two health insurance programs for small businesses: 1) Premium Assistance for Small Employers; and 2) tax relief/ tax credits.

Agency Highlights

State Auditor's Office Major Budget Highlights	
<p>Total funding increases of \$17 million over the 2005 biennium include:</p> <ul style="list-style-type: none"> ◆ A \$15.69 million transfer of I-149 funds from the Department of Health and Human Services to implement and administer: <ul style="list-style-type: none"> • A group health premium assistance program for eligible small employers • A tax relief / tax credit program for eligible small employers ◆ Statewide present law adjustments ◆ A contractual 2 percent increase in rent and additional storage space ◆ 1.0 FTE in the rates and forms division for a supervisor / bureau chief position, and 1.0 FTE in the policyholder services division for a supervisor ◆ Costs associated with contract examinations of insurance and investment companies, security contract examinations, and the captive insurance program 	

Funding

The following figure summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2007 Biennium Legislative Budget			
Agency Program	State Spec.	Grand Total	Total %
01 Central Management	\$ 1,163,354	\$ 1,163,354	4.49%
03 Insurance	23,233,540	23,233,540	89.69%
04 Securities	<u>1,506,101</u>	<u>1,506,101</u>	<u>5.81%</u>
Grand Total	<u>\$ 25,902,995</u>	<u>\$ 25,902,995</u>	<u>100.00%</u>

The State Auditor's Office receives no general fund. It is funded from state special revenue generated by insurance fees and taxes levied on the insurance industry for the sale of insurance policies in Montana, and security fees charged to the securities industry for the registration of securities and agents or for the notice of a federal filing of a federally secured security. Resident and non-resident companies or individuals conducting insurance or security business in Montana are subject to fees.

The 2003 legislature added \$1.3 million in restricted funds to state special revenue from the tobacco settlement proceeds, to be used in the Montana Comprehensive Health Association insurance premium assistance program that is administered by the Insurance Division under 33-22-1513, MCA. The program is for low-income Montanans deemed uninsurable do to medical conditions. There is \$573,215 in each year of the 2007 biennium for use in this program, the same amount appropriated in the last session.

The 2005 legislature added \$15.69 million in state special revenue over the biennium that is contingent upon passage and approval of HB 667, which directs a transfer of that amount from the I-149 tax increase from the Department of Health and Human Services to the Office of State Auditor for implementation and administration of two programs: 1) Premium Assistance for Small Employers; and 2) Provide Tax Relief in the form of Tax Credits.

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	10.00	0.00	0.00	10.00	0.00	0.00	10.00	10.00
Personal Services	435,843	53,264	0	489,107	51,945	0	487,788	976,895
Operating Expenses	89,661	5,925	0	95,586	1,212	0	90,873	186,459
Total Costs	\$525,504	\$59,189	\$0	\$584,693	\$53,157	\$0	\$578,661	\$1,163,354
State/Other Special	525,504	59,189	0	584,693	53,157	0	578,661	1,163,354
Total Funds	\$525,504	\$59,189	\$0	\$584,693	\$53,157	\$0	\$578,661	\$1,163,354

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Legislative Budget Analysis, A-89

Funding

This program is funded from state special revenue generated by fees and taxes for entities conducting insurance or security business in Montana as identified and defined in 33-2-705 through 708, MCA.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----					-----Fiscal 2007-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				69,924					68,561	
Vacancy Savings				(16,660)					(16,616)	
Inflation/Deflation				(734)					(733)	
Fixed Costs				5,553					269	
Total Statewide Present Law Adjustments				\$58,083					\$51,481	
DP 101 - Rent Increase										
	0.00	0	1,106	0	1,106	0.00	0	1,676	0	1,676
Total Other Present Law Adjustments										
	0.00	\$0	\$1,106	\$0	\$1,106	0.00	\$0	\$1,676	\$0	\$1,676
Grand Total All Present Law Adjustments				\$59,189					\$53,157	

DP 101 - Rent Increase - The legislature approved state special revenue funding of \$1,106 in FY 2006 and \$1,676 in FY 2007 to cover a 2 percent per year increase in rented space at the old Shodair Children's Home and Hospital building as per the agency's contract. The approved amount represents the Central Management's share of the \$24,350 total rent increase.

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	48.50	0.00	2.00	50.50	0.00	2.00	50.50	50.50
Personal Services	2,134,568	133,211	95,850	2,363,629	134,358	95,578	2,364,504	4,728,133
Operating Expenses	538,261	264,850	4,216,470	5,019,581	300,659	11,500,476	12,339,396	17,358,977
Grants	573,215	0	0	573,215	0	0	573,215	1,146,430
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$3,246,044	\$398,061	\$4,312,320	\$7,956,425	\$435,017	\$11,596,054	\$15,277,115	\$23,233,540
State/Other Special	3,246,044	398,061	4,312,320	7,956,425	435,017	11,596,054	15,277,115	23,233,540
Total Funds	\$3,246,044	\$398,061	\$4,312,320	\$7,956,425	\$435,017	\$11,596,054	\$15,277,115	\$23,233,540

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Legislative Budget Analysis, A-91

Funding

This program is funded through state special revenue generated from a percentage charged against every insurance policy sold in the state, as well as from charges for insurance company examinations and fees paid by individual agents.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				227,705					228,898	
Vacancy Savings				(94,494)					(94,540)	
Inflation/Deflation				(4,311)					(4,287)	
Fixed Costs				15,609					(7,230)	
Total Statewide Present Law Adjustments				\$144,509	\$122,841					
DP 301 - Office Rent & Secured Storage Increase	0.00	0	6,532	0	6,532	0.00	0	9,432	0	9,432
DP 305 - Contract Insurance Examinations	0.00	0	227,820	0	227,820	0.00	0	283,544	0	283,544
DP 306 - Captive Insurance	0.00	0	19,200	0	19,200	0.00	0	19,200	0	19,200
Total Other Present Law Adjustments				\$0	\$253,552	\$0	\$312,176	\$0	\$312,176	
Grand Total All Present Law Adjustments				\$398,061	\$435,017					

DP 301 - Office Rent & Secured Storage Increase - The legislature approved an increase of \$15,964 state special revenue for the 2007 biennium to fund the scheduled 2 percent rent increase and additional secured storage space for the office's investigation units. The amount represents the program's share of the agency-wide increase of \$24,350.

DP 305 - Contract Insurance Examinations - The legislature increased state special revenue by \$511,364 over the biennium to allow the agency to conduct insurance contract exams. The amount is designated as a restricted appropriation. Insurance companies reimburse the agency for the cost of examinations.

DP 306 - Captive Insurance - The legislature authorized state special revenue funding of \$38,400 for the 2007 biennium for costs associated with the review of new captive insurance applications. An independent contract actuary reviews each application for financial viability at a cost of \$3,200, which is reimbursed by the applicant. The amount is designated as a restricted appropriation.

New Proposals

New Proposals											
-----Fiscal 2006-----						-----Fiscal 2007-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 303 - Rates and Forms FTE											
03	1.00		0	59,575	0	59,575	1.00	0	56,016	0	56,016
DP 304 - Policyholder Services FTE											
03	1.00		0	52,745	0	52,745	1.00	0	49,212	0	49,212
DP 400 - Premium Assistance for Sm. Employers (Restricted)											
03	0.00		0	2,520,000	0	2,520,000	0.00	0	6,894,496	0	6,894,496
DP 401 - Tax Relief in the form of Tax Credits - HB 667											
03	0.00		0	1,680,000	0	1,680,000	0.00	0	4,596,330	0	4,596,330
Total	2.00	\$0	\$4,312,320	\$0	\$4,312,320	2.00	\$0	\$11,596,054	\$0	\$11,596,054	

DP 303 - Rates and Forms FTE - The legislature increased state special revenue by \$115,591 over the biennium for 1.00 FTE as a supervisor/bureau chief position to work with existing staff and to help process and expedite the review of insurance policy forms for continued improvement in Montana's speed to market for insurance policy forms.

DP 304 - Policyholder Services FTE - The legislature approved state special revenue funding of \$101,957 over the biennium for 1.00 FTE to supervise and help complete market conduct examinations, as well as to assist with the increased workload to due to growth of the insurance industry, Medicare prescription legislation, the federal Health Insurance Portability and Accountability Act (HIPAA), the continuation of changes to state insurance statutes, and the federal Employee Retirement Income Security Act (ERISA).

DP 400 - Premium Assistance for Sm. Employers (Restricted) - The legislature allocated \$9.4 million in state special revenue over the biennium for implementation and administration of a premium assistance program for eligible small employers. This appropriation is contingent upon passage and approval of HB 667.

DP 401 - Tax Relief in the form of Tax Credits - HB 667 - The legislature allocated \$6.276 million in state special revenue over the biennium for implementation and administration of a tax relief / tax credit program, through which eligible small businesses receive tax credits to help cover costs of group health insurance. This appropriation is contingent upon passage and approval of HB 667.

Language

The legislature approved the following language for inclusion in HB2:

"Funding in Premium Assistance for Small Employers -- HB 667 and Provide Tax Relief in the Form of Tax Credits -- HB 667 is contingent upon passage and approval of House Bill No. 667 and may be used only to implement House Bill No. 667."

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	525,684	55,541	0	581,225	54,679	0	580,363	1,161,588
Operating Expenses	105,596	63,601	0	169,197	69,720	0	175,316	344,513
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$631,280	\$119,142	\$0	\$750,422	\$124,399	\$0	\$755,679	\$1,506,101
General Fund	0	0	0	0	0	0	0	0
State/Other Special	631,280	119,142	0	750,422	124,399	0	755,679	1,506,101
Federal Special	0	0	0	0	0	0	0	0
Total Funds	\$631,280	\$119,142	\$0	\$750,422	\$124,399	\$0	\$755,679	\$1,506,101

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Legislative Budget Analysis, A-95

Funding

This program is funded with state special revenue from the securities fee account, which draws its revenue from securities portfolio registration fees charged to investment advisors and investment companies, as well as from security licenses and permits. In accordance with 30-1-115, MCA, unspent collections from security licenses and permits are deposited to the general fund. Deposits to the general fund were approximately \$2.1 million in FY 2004.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2006-----						-----Fiscal 2007-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				79,758					78,860	
Vacancy Savings				(24,217)					(24,181)	
Inflation/Deflation				(1,246)					(1,236)	
Fixed Costs				1,643					1,972	
Total Statewide Present Law Adjustments				\$55,938					\$55,415	
DP 401 - Office Rent & Secured Storage Increase										
	0.00	0	2,412	0	2,412	0.00	0	3,192	0	3,192
DP 403 - Contract Securities Examinations										
	0.00	0	60,792	0	60,792	0.00	0	65,792	0	65,792
Total Other Present Law Adjustments										
	0.00	\$0	\$63,204	\$0	\$63,204	0.00	\$0	\$68,984	\$0	\$68,984
Grand Total All Present Law Adjustments				\$119,142					\$124,399	

DP 401 - Office Rent & Secured Storage Increase - The legislature approved an increase of \$5,604 state special revenue for the 2007 biennium to fund the scheduled 2 percent rent increase and additional secured storage space at the Shodair Children's Home and Hospital building. The increase represents the program's share of the \$24,350 agency-wide increase.

DP 403 - Contract Securities Examinations - The legislature increased state special revenue for securities contract exams by \$126,584 over the biennium, and designated the amount as a restricted appropriation. The cost of the examinations is offset by reimbursements from the security companies. The approved authority is based upon the agency's examination schedule for the 2007 biennium.